

NO: **F038**

COUNCIL DATE: **November 28, 2012**

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **November 8th, 2012**

FROM: **City Manager and
General Manager, Finance & Technology**

FILE: **1705-05**

SUBJECT: **2013 Five Year (2013-2017) Financial Plan - Utilities**

1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 2.0 of this report; and
- b) Direct staff to prepare the 2013 Five-Year (2013 – 2017) Financial Plan for each of the Water Utility, the Sewer/Drainage Utility, the Solid Waste Utility and the Road and Traffic Safety Utility, incorporating the recommendations as contained in this report.

2.0 DISCUSSION

The utility rate structure recommended for 2013 is consistent with the “user pay” approach that Council has applied consistently in previous budgets.

2.1 2013 Water Utility Rates

The City adopted the Residential Water Metering Program over ten years ago and now provides service to more than 55,000 metered utility accounts, which represents approximately 60% of all single family dwelling utility accounts. In 2012, these metered accounts were charged \$0.815 per cubic meter of water consumed. Due to increases in the GVWD water rates and system operating cost increases, an increase in the water rate is necessary for 2013.

In 2013, the GVWD bulk water charge will increase by \$0.0074 per cubic meter to \$0.6054 per cubic meter. This equates to an increase for the ‘average metered single family residence’ of approximately \$0.25 per month or \$2.96 per year. An additional increase of \$1.00 per billing period to the base rate is also required for operating costs related to meter maintenance and testing. This equates to an increase for the ‘average metered single family residence’ of approximately \$0.25 per month or \$3.00 per year.

Based on the above, it is recommended for 2013 that the water utility rate be increased from \$0.815 per cubic meter to \$0.8224 per cubic meter and that the base charges be increased by \$1.00 per billing period for a standard 20 mm meter connection and that this charge be pro-rated based on the size of the connection serving each property. These recommendations will equate to a total increase of \$0.50 per month or \$5.96 per year for the 'average metered single family residence' and \$1.73 per month or \$20.80 per year for a business that consumes 2,000 cubic meters of water per year and that has a 50 mm water connection.

The flat water rate (i.e., the rate charged to customers that do not have a water meter) will be increased based on the 'average' consumption of water by non-metered accounts multiplied by the proposed rate of \$0.8224 per cubic meter. The average consumption by non-metered accounts is 750 m³ per year. Any "flat rate" (non-metered) customer may choose at any time to have a meter installed at their property and thus move from a "flat rate" charge to paying for water on an "actual usage" basis. All business properties in the City have water meters.

The GVWD bulk water rate for the remaining years of the Five-Year Plan is projected to increase in the range of \$0.038 to \$0.0946 per cubic meter per year.

2.2 2013 Sewer Utility Rates

In 2012, metered utility customers were charged \$0.7575 per cubic meter of sewer discharge. Due to increases in the GVS&DD sewerage rates as well as increases in the City's capital and operating costs an increase in the sewer rate is necessary for 2013.

In 2013 the GVS&DD sewer charges will increase by 2.5%. It is expected that this will impact the 'average metered single family residence' in the City of Surrey by approximately \$0.73 per month or \$8.75 per year.

An additional increase to the rate is proposed to support capital projects contained in the City's 10-Year Servicing Plan and for City-related sewer operating and maintenance cost increases. These increases for the 'average metered single family residence' will amount to approximately \$0.63 per month or \$7.60 per year.

As such, it is recommended that the sewer utility rate be increased for 2013 from \$0.7575 per cubic meter of discharge volume to \$0.8086 per cubic meter of discharge volume. This equates to a total increase of \$1.36 per month or \$16.35 per year for the 'average metered single family residence' and \$6.81 per month or \$81.76 per year for a business that discharges 1,600 cubic meters of sewage per year.

The sewer utility rate for non-metered customers will be increased based on the 'average' discharge of a non-metered residence of 600 m³ and the per cubic meter rate of \$0.8086. Any "flat rate" customer may choose at any time to have a water meter installed and move from paying "flat rate" sewer charges to paying based on the actual usage. Actual usage is calculated as being 80% of the volume of water that is consumed by the residence as registered on the water meter. All business properties in the City have water meters.

The GVS&DD sewer rates are projected to increase by approximately 3.5% per year for the remaining four years of the Five Year Plan.

2.3 2013 Drainage/Dyking/Flood Protection Utility Parcel Tax

The Drainage Parcel Tax is currently \$166 per lot. An increase of \$22.00 per lot is proposed to support increased maintenance and capital costs in relation to the City's drainage infrastructure. This Utility also includes dyking and flood protection which becomes more critical as the City continues to prepare for the effects of global warming. With this proposed increase, the Drainage Parcel Tax for 2013 will be \$188 for a residential property and \$198 for commercial property.

2.4 2013 Solid Waste Utility Rates

The GVRD Solid Waste Tipping fee is currently \$107 per tonne and will remain at this level for 2013. With the implementation of the City's new solid waste collection contract, which includes a new organics waste collection component, the City's solid waste collection rates will not need to increase for 2013. The solid waste rate is proposed to remain at \$281 per single family residence in 2013.

The GVRD is projecting that the Solid Waste Tipping fee will increase between \$1 per tonne and \$18 per tonne in each of the remaining four years of the Five Year Plan. These increases will result in further increases each year to the solid waste rate that the City must charge its solid waste rate payers. The City does not collect solid waste from businesses in the City and therefore does not charge businesses for solid waste collection.

2.5 2013 Road and Traffic Safety Utility Levy

A Road and Traffic Safety Levy was established as part of the 2008 Financial Planning process to address the need for increased maintenance of local and collector roads throughout the City and to provide additional funding for road safety features and improvements such as traffic calming, crosswalks, sidewalks, etc. In 2012, the Roads and Traffic Safety Levy was expanded to include the maintenance and capital costs associated with the arterial roads throughout the City and to address identified on-going road maintenance needs related to inclement weather conditions. The levy is based on the assessed value of individual properties in each Property Class.

Theft of street light wire is very costly to the City. Between 2006 and 2012 the City has incurred over \$9.0 million in costs to replace wire that has been stolen. In June of 2012, Council approved a Wire Theft Abatement Program that included replacing the current copper street light wiring with aluminium wire along with a number of other education and enforcement-related measures. Funding for the Wire Theft Abatement Program is included in the Road and Traffic Safety Utility.

To meet the above identified needs, the Road and Traffic Safety Levy is proposed to be increased in 2013 such that the average single-family dwelling will pay an additional \$13.86 per year and a business will pay an additional \$67.62 per year. These increases are in line with the increases that were included in the 2012 – 2016 Financial Plan.

In addition, it is proposed that one third of the revenues generated through Secondary Suite fees be transferred to the Roads and Traffic Utility to assist in offsetting the demands and related costs that the occupants of secondary suites place on the City's transportation infrastructure. Adjustments to the Secondary Suite fee are addressed in the General Operating component of the proposed Five Year Financial Plan.

Similar adjustments to the Road and Traffic Safety Levy are incorporated for each remaining year in the proposed Five Year Plan to ensure adequate funding is available to meet the City's transportation needs over time. Once the Roads and Traffic Utility is fully funded on a sustainable basis, the portion of the Secondary Suite fee being dedicated to Roads and Traffic, will be re-directed to other Capital infrastructure needs.

2.7 Proposed 2013 – 2017 Financial Plans

Based on the above, a draft Five-Year Financial Plan for each of the Water Utility (see Appendix A), the Sewer/Drainage Utility (see Appendix B), the Solid Waste Utility (see Appendix C) and the Road and Traffic Safety Utility (see Appendix D) has been prepared.

3.0 SUMMARY

Based on the above discussion it is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 2.0 of this report; and
- b) Direct staff to prepare the 2013 Five-Year (2013 – 2017) Financial Plan for each of the Water Utility, the Sewer/Drainage Utility, the Solid Waste Utility and the Road and Traffic Safety Utility incorporating the recommendations as contained in this report.

Murray Dinwoodie
City Manager

Vivienne Wilke, CGA
General Manager,
Finance & Technology

Attachments:

Appendix "A": 2013 – 2017 Financial Plan – Water
Appendix "B": 2013 – 2017 Financial Plan – Sewer & Drainage
Appendix "C": 2013 – 2017 Financial Plan – Solid Waste
Appendix "D": 2013 – 2017 Financial Plan – Roads & Traffic

**2013 - 2017 FINANCIAL PLAN
WATER - FINANCIAL SUMMARY**
(in thousands)

REVENUE SUMMARY	2013 BUDGET	2014 PLAN	2015 PLAN	2016 PLAN	2017 PLAN
Taxation	\$ 83	\$ 124	\$ 67	\$ 51	\$ 25
	<u>83</u>	<u>124</u>	<u>67</u>	<u>51</u>	<u>25</u>
Investment Income	1,641	1,657	1,634	1,587	1,559
Penalties and Interest	603	668	734	788	835
	<u>2,244</u>	<u>2,325</u>	<u>2,368</u>	<u>2,375</u>	<u>2,394</u>
Departmental Revenues	61,023	67,562	74,151	79,564	84,304
	<u>\$ 63,350</u>	<u>\$ 70,011</u>	<u>\$ 76,586</u>	<u>\$ 81,990</u>	<u>\$ 86,723</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 57,845	\$ 65,107	\$ 71,008	\$ 75,511	\$ 79,270
	<u>\$ 57,845</u>	<u>\$ 65,107</u>	<u>\$ 71,008</u>	<u>\$ 75,511</u>	<u>\$ 79,270</u>
Interest Alloc'd to Approp. Surp	\$ 738	\$ 612	\$ 545	\$ 496	\$ 475
Contribution to Capital	9,176	6,182	7,954	7,954	7,954
Net Tsf To/(Frm) Surp/Resrv	(4,409)	(1,890)	(2,921)	(1,971)	(976)
	<u>\$ 5,505</u>	<u>\$ 4,904</u>	<u>\$ 5,578</u>	<u>\$ 6,479</u>	<u>\$ 7,453</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2013 - 2017 FINANCIAL PLAN
SEWER & DRAINAGE - FINANCIAL SUMMARY
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2013 BUDGET</u>	<u>2014 PLAN</u>	<u>2015 PLAN</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>
Taxation	\$ 30,094	\$ 34,199	\$ 38,410	\$ 42,744	\$ 47,237
	30,094	34,199	38,410	42,744	47,237
Investment Income	985	690	809	1,006	1,266
Penalties and Interest	352	386	422	456	489
	1,337	1,076	1,231	1,462	1,755
Departmental Revenues	40,051	42,833	45,725	48,221	50,545
	\$ 71,482	\$ 78,108	\$ 85,366	\$ 92,427	\$ 99,537
<u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 54,802	\$ 57,035	\$ 59,372	\$ 61,814	\$ 64,367
	\$ 54,802	\$ 57,035	\$ 59,372	\$ 61,814	\$ 64,367
Interest Alloc'd to Approp. Surp	\$ 243	\$ 91	\$ 190	\$ 367	\$ 607
Contribution to Capital	16,387	12,662	12,894	13,394	13,394
Net Tsf To/(Frm) Surp/Resrv	50	8,320	12,910	16,852	21,169
	\$ 16,680	\$ 21,073	\$ 25,994	\$ 30,613	\$ 35,170
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -

2013 - 2017 FINANCIAL PLAN
SOLID WASTE - FINANCIAL SUMMARY
(in thousands)

<u>REVENUE SUMMARY</u>	2013 BUDGET	2014 PLAN	2015 PLAN	2016 PLAN	2017 PLAN
Penalties and Interest	\$ 100	\$ 100	\$ 105	\$ 105	\$ 110
Departmental Revenues	32,428	33,668	34,941	36,255	37,603
	<u>\$ 32,528</u>	<u>\$ 33,768</u>	<u>\$ 35,046</u>	<u>\$ 36,360</u>	<u>\$ 37,713</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 23,800	\$ 24,152	\$ 24,981	\$ 25,735	\$ 26,558
	<u>\$ 23,800</u>	<u>\$ 24,152</u>	<u>\$ 24,981</u>	<u>\$ 25,735</u>	<u>\$ 26,558</u>
Contrib'n To General Op	1,951	1,951	1,951	1,951	1,951
Contrib'n To Capital	6,635	10,484	4,585	4,689	4,794
Net Tsf To/(Frm) Surp/Resrv	142	(2,819)	3,529	3,985	4,410
	<u>\$ 8,728</u>	<u>\$ 9,616</u>	<u>\$ 10,065</u>	<u>\$ 10,625</u>	<u>\$ 11,155</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**2013 - 2017 FINANCIAL PLAN
ROADS & TRAFFIC - FINANCIAL SUMMARY**
(in thousands)

<u>REVENUE SUMMARY</u>	<u>2013 BUDGET</u>	<u>2014 PLAN</u>	<u>2015 PLAN</u>	<u>2016 PLAN</u>	<u>2017 PLAN</u>
Taxation	\$ 13,348	\$ 16,269	\$ 19,379	\$ 22,678	\$ 26,180
Departmental Revenues	739	723	894	991	1,962
	<u>\$ 14,087</u>	<u>\$ 16,992</u>	<u>\$ 20,273</u>	<u>\$ 23,669</u>	<u>\$ 28,142</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$ 30,582	\$ 31,228	\$ 32,499	\$ 33,780	\$ 35,096
	<u>\$ 30,582</u>	<u>\$ 31,228</u>	<u>\$ 32,499</u>	<u>\$ 33,780</u>	<u>\$ 35,096</u>
Contribution to Capital	\$ 3,126	\$ 5,188	\$ 8,382	\$ 9,784	\$ 10,943
Contribution from General Op	(15,531)	(15,514)	(15,496)	(15,478)	(15,460)
Net Tsf To/(Frm) Surp/Resrv	(4,090)	(3,910)	(5,112)	(4,417)	(2,437)
	<u>\$ (16,495)</u>	<u>\$ (14,236)</u>	<u>\$ (12,226)</u>	<u>\$ (10,111)</u>	<u>\$ (6,954)</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>